

# WHEN INEQUALITY IS JUST AND WHEN IT IS NOT

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## Abstract

*Economic inequality is a concern in almost every country in the world, and particularly in the United States where the divide grows at astounding rates. In this paper, I aim to identify when economic inequality is just and when it is not. Using a historical principle of equal treatment, I argue that inequality cannot be deemed unjust as an end in itself, but only if it arises by unjust means. However, while just inequality can exist in theory, I apply an empirical lens to assert that incentives for the abuse of economic power by the wealthy cause just inequality to be unsustainable and inevitably devolve into unjust inequality. For these reasons, today's economic inequality in the U.S. must be at least partially unjust.*

## Introduction

The world is full of inequalities. Individuals bear differences in almost every domain: political, social, economic, moral. Growing wealth gaps in recent times, however, have catalyzed interest in economic inequality.<sup>1</sup> Economic inequality is a concern in almost every country in the world,<sup>2</sup> and the richest one percent of adults worldwide own a whopping forty-five percent of the world's wealth. Of industrialized nations, the United States is by far the most unequal, with the top one percent owning over forty-two percent of the country's wealth.<sup>3</sup> The United States is also home to forty-one percent of global millionaires, and the vast majority of the ultra-wealthy live in the U.S. (even though countries like Australia, France, and Japan actually have higher median wealth).<sup>4</sup> All of this paints an image of massive inequality in the U.S. in particular, and trends indicate that the chasm between the ultra-rich and everyone else will continue to grow astronomically.<sup>5</sup> Scholarly circles are asking: how did this happen? Can it be justified? Where will we go from here?

In this paper, I set out to identify when inequality is just and when it is not. I argue that economic inequality cannot be deemed unjust in and of itself as an end, only if it arises by unjust means. First, I establish that there are some endowed differences between individuals for which we cannot equalize. Knowing this, I adapt David Schmidtz's principle of equal treatment as a condition for justness, which I distinguish from the principle of equal shares. Subsequently, I outline when inequality is and is not just, using illustrative examples to demonstrate that current economic inequality in the U.S. is at least partially unjust. Finally, I examine the effects of inequality to argue that although just inequality can exist in theory, incentives for the rich to abuse economic power cause it to inevitably devolve into unjust inequality. I support this claim with the empirical evidence of Thomas Piketty.

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1 Ajnesh Prasad, "When Is Economic Inequality Justified?" 61, no. 6 (2018): 855, doi:10.1016/j.bushor.2018.07.009.

2 "What Is Economic Inequality?" IZA World of Labor - Home, <https://wol.iza.org/key-topics/economic-inequality>.

3 "Global Inequality," Inequality.org, <https://inequality.org/facts/global-inequality/>.

4 Ibid.

5 Eric Levitz, "Inequality Is Rising Across the Globe - and Skyrocketing in the U.S.," *Intelligencer*, December 15, 2017, <http://nymag.com/intelligencer/2017/12/inequality-is-rising-globally-and-soaring-in-the-u-s.html>.

## We are not all equal

Many theories of just social construction have focused on equality in the positive, but this paper is concerned solely with the justness of equality – inequality. Primarily, we are concerned with inequality, which broadly encapsulates differences in wealth and income between individuals. Justness here makes a moral judgement. I am asking: can inequalities of wealth distribution be morally justified?

Let us begin with the understanding that we are not all equal. We are each endowed with different abilities, privileges, and handicaps. We were born with some of these endowments, meaning they are beyond our control and can be accorded to no legitimate notion of moral desert. In *A Theory of Justice*, John Rawls groups these endowments under the “original position.”<sup>6</sup> Whether we are born with a certain skin color, gender, or to certain parents is neither earned nor a choice but a matter of random chance. We are also unequal in ways that were not endowed to us but that are reflected in our actions and the choices we make. Two individuals may differ in work ethic, for example, or moral goodness. We cannot practically hope to equalize for these differences, and any attempt to do so could invoke the serious ethical concerns of a Procrustean bed.<sup>7</sup> In the Greek myth and cautionary tale, the monster Procrustes stretches and cuts his various victims to fit one bed, all of them facing incredible cruelty and ultimately perishing.<sup>8</sup> Even Rawls acknowledges that his “original position of equality” is purely hypothetical and cannot be attained in real life.<sup>9</sup> To borrow from David Schmidtz in “Equal Respect and Equal Shares,” “if we are equal, it is not in virtue of our actual characteristics, but *despite* them” [italicization added].<sup>10</sup> That is, we cannot not expect to erase our differences, but we can “expect differences to have no bearing on how people ought to be treated as citizens.”<sup>11</sup> With the practical understanding that individuals will never be truly equal in their faculties, we adapt this “principle of equal treatment.” Schmidtz uses the principle in accordance with respect,<sup>12</sup> while this paper is concerned with justness. For the purposes of this paper, justness can be taken as accordance with the principle of equal treatment.

Schmidtz’s principle of equal treatment comes closest to the advocating for equal treatment before the law. He focuses on the treatment of citizens in the political domain, emphasizing that, “Our equality is of a political

rather than a metaphysical nature.”<sup>13</sup> This paper is concerned with treatment in the political realm, but not political treatment alone. “Treatment” need not refer only to the interaction between a state and its citizens but could also refer to the interaction between a boss and a worker or a customer and a shop keeper. Any domain in which an economic interaction could occur is relevant, including the political, which affects all the other named domains. What treatment does not refer to is social treatment between individuals. When I apply the principle of equal treatment, I do not mean to assert that individuals must always treat each other in equal or proportional accordance. Individuals in the social realm have the right to be as kind or unkind as they choose.

It is important to note that equal treatment is the same as equal shares. Equal shares is a traditional egalitarian principle by which everyone receives the equal amounts of everything, without consideration of individual differences<sup>14</sup>. Assuming everyone does equal work, this principle would ensure everyone receives an equal wage, for example. However, when work is unequal, as it often is, the principle of equal shares is unable to allocate pay proportionally, and this lack of proportion becomes itself a “kind of unequal treatment.”<sup>15</sup> As Schmidtz notes, ““Unequal pay for equal work” is offensive, but so is “equal pay for unequal work.””<sup>16</sup>

The proportionality problem with the principle of equal shares hints at another issue, one of merit. The idea that some people deserve more than others based on merit forms the core of our society. Without desert we would have no legitimate criminal justice system, which asserts that punishments can be allocated proportionately according to desert.<sup>17</sup> Without desert, economic growth would stagnate with limited incentive to work hard and earn compensation.<sup>18</sup> While the merit upon which desert is based can be skewed by random differences beyond our control, even the strongest redistribution advocates do not go so far as to completely rebuke the concept of desert and argue that no one deserves anything. The failure of the principle of equal shares to account for proportionality and desert renders it useless in practical application. Instead, I employ the principle of equal treatment, which not only demands that individuals be treated equally despite their endowed differences, but also that they are given their fair, proportional due based on desert for those differences that are earned and not endowed. This second aspect of the principle prioritizes the virtue of fairness, but without adopting the Rawlsian principle of

13 Ibid.

14 Schmidtz, “Equal Respect and Equal Shares,” 245.

15 Ibid, 246.

16 Ibid, 247.

17 Lloyd L. Weinreb, “Desert, Punishment, and Criminal Responsibility 49, no. 3 (1986): 48, <https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=3858&context=lcp>.

18 Julian Lamont and Christi Favor, “Distributive Justice,” September 26, 2017, <https://plato.stanford.edu/entries/justice-distributive/#Desert>.

6 John Rawls, (Cambridge, MA: Belknap Press of Harvard Univ. Press, 1999), 7.

7 Jonathan Anomaly et al., (New York: Oxford University Press, 2016), 350.

8 “Procrustes,” January 04, 2011, <https://www.britannica.com/topic/Procrustes>.

9 Rawls, , 11.

10 David Schmidtz, “Equal Respect and Equal Shares,” 19, no. 1 (2002): 244, doi:10.1017/s0265052502191114.

11 Schmidtz, “Equal Respect and Equal Shares,” 244.

12 Ibid, 245.

justice as fairness.

The shortcomings of the principle of equal shares also provide the foundation of my argument that inequality in and of itself cannot be deemed unjust. There are many instances of equal treatment that can result in one individual enjoying greater economic gain than another. An individual may have worked years to cultivate an extraordinary talent – like painting, tennis, or coding – or simply have been born with advantages that they have capitalized on – like being tall or unusually gifted in math. These differences or specializations create products and services that are enjoyed by others. For example, fans may come to see a tennis player at Wimbledon or users may surf a website coded by a software engineer. It is intuitive that individuals are rewarded and compensated for their specializations, skills and advantages. All of the above examples result in economic inequalities between individuals, but none of them are examples of unequal, for to pay someone their due would be unjust.<sup>19</sup> Asking the tennis player to compete for free or the software engineer to code for free would violate the principle of equal treatment in the same way that Schmidtz’s example of “equal pay for unequal work” does.<sup>20</sup> For instance, if one employee worked overtime, while a co-worker did not, the one who worked overtime should surely be paid more, creating an economic inequality between the two workers that is just. To distribute the overtime earnings any other way between the two workers would not make sense, since it hardly seems just that the worker who did not work overtime would receive any pay for it.

Here we ask, if inequality was arrived at by purely just means, then what grounds do we have to label it an unjust end? And if we cannot label inequality as simply an unjust end, then how can we determine if it is just? The answers to these questions are developed in the following section.

## A means-based approach to inequality

Economic inequality is not unjust in and of itself. If it were, this would mean that no economic disparities between individuals can be morally justified. However, as argued against the principle of equal shares, such conclusions ignore economic differences that result from just exchange in accordance with the principle of equal treatment. Furthermore, economic inequality cannot be declared unjust as an end because economic equality cannot be declared purely *just* as an end. A truly egalitarian economic distribution in which everyone has the same exact economic means would surely treat some individuals unfairly and afford additional unearned advantages on top of

19 Tara Smith, “Justice as a Personal Virtue,” *Social Theory and Practice* 25, no. 3 (Fall 1999): 364, ProQuest Central.

20 Schmidtz, “Equal Respect and Equal Shares,” 247.

existing ones to those who are not willing to work as hard or are not as skilled, for example – a common argument against communism, along with the disincentivization of hard work.<sup>21</sup> Therefore, economic equality is not just as an end, and economic inequality is not unjust as an end. There are circumstances under which economic inequality can be either just or unjust, but to identify these circumstances, we will need a means-based application of our just principle of equal treatment.

To determine the justness of inequality, we clearly cannot employ an ends-based approach, which incorrectly labels all inequality as unjust, even that which comes about without violation of the principle of equal treatment. In *Anarchy, State, and Utopia*, Robert Nozick classifies ends-based approaches as “end-state,” “end-result,” or “current time slice” principles of justice, which he also rejects.<sup>22</sup>

Instead, Nozick and I favor a means-based approach that evaluates the method by which inequality has come about, or in Nozickian terms, a “historical principle of justice.” Nozick affirms, “In contrast to end-result principles of justice, of justice hold that past circumstances or actions of people can create different entitlements or different deserts to things.”<sup>23</sup> That is, historical principles of justice acknowledge differences between individuals for which we cannot correct, and they do not dismiss economic differences between individuals that have developed by just means, such as by voluntary exchange or by work-proportional pay.

Nozick’s two historical principles are the principle of justice in acquisition and transfer, from which he deduces:

“(1) A person who acquires a holding in accordance with the principle of justice in acquisition is entitled to that holding; (2) A person who acquires a holding in accordance with the principle of justice in transfer, from someone else entitled to that holding, is entitled to that holding; (3) No one is entitled to a holding except by (repeated) applications of 1 and 2.”<sup>24</sup>

Just acquisition and transfer can both be seen as forms of or alternate terms for “equal treatment,” and in this paper, can be considered in accordance with my historical principle of equal treatment.

Nozick’s “Wilt Chamberlain example” famously illustrates the argument that inequality can come about by just means. In this example, Nozick posits a situation in which the highly-demanded basketball player Wilt Chamberlain procures a contract by which “twenty-five cents from the price of each ticket of admission goes to him.” Throughout the season, fans each place a quarter in his special collection box when they attend Chamberlain’s

21 Marian L. Tupy, “Communist Economics in One Page,” *FEE*, September 19, 2016, <https://fee.org/articles/communist-economics-in-one-page-a-refresher-course/>.

22 Nozick, “Moral Constraints and Distributive Justice,” 111.

23 Nozick, “Moral Constraints and Distributive Justice,” 111.

24 *Ibid*, 107.

games, and “They are excited about seeing him play; it is worth the total admission price to them.”<sup>25</sup> Here, Chamberlain and the fans have participated in a voluntary exchange. It is true that Chamberlain may amass inordinate wealth as a result, but one cannot say that this wealth is not proportionate or deserved, for the fans have determined that for them it was worth it to see him play. Nozick asks, “On what basis could the inequalities that would eventuate be forbidden?”<sup>26</sup>

Although Nozick’s contract is fictional, Chamberlain did amass enormous wealth as a top-earning basketball player in the NBA, with a reported net worth of about ten million dollars at the time of his death in 1999.<sup>27</sup> This places him in the top one percent of Americans even by 2016 standards.<sup>28</sup> Some may argue that athletes and other high-profile entertainment stars are overpaid, but their pay reflects the amount of money flowing into their industries. Individuals have the freedom to spend their money how they wish, and the demand generated in a capitalist economy like the U.S. should reflect the preferences and needs of consumers. In Chamberlain’s case – both in Nozick’s example and in real life – the fans chose freely to spend money on games, merchandise, etc., which was reflected in his growing pockets.

In many ways, economic inequalities that come about as the result of individual free choice reflect important preferences and values in the economy, driving efficiency and growth.<sup>29</sup> We want our doctors to be paid high salaries because the service they provide to us is so valuable. The individual paid is not the only one who benefits, since individual paying receives some benefit in return. With Wilt Chamberlain, it was the excitement of seeing him play basketball. With doctors, it is the care patients need in order to be healthy. Any inequalities that emerge as a direct result should still satisfy the principle of equal treatment and should still be just. In fact, to tell people they spend their money how they choose would violate their individual freedoms, and that would be unjust. Honoring the individual’s right to participate freely in the economy, inequality is bound to arise as their collective preferences and values lead wealth and income to concentrate in some areas more than others. Nozick describes this phenomenon as when “liberty upsets patterns.”<sup>30</sup> For example, even if we begin in perfectly equal economic

distribution (our initial “pattern”), the freedom of individuals to allocate their resources how they choose (their “liberty”) will ultimately create inequalities. For this reason, Nozick argues that redistributive efforts of the type advocated by Rawls will only ever be temporarily effective and require constant intervention in order to be maintained.<sup>31</sup>

Economic inequality is not unjust in and of itself. In fact, economic inequality when it occurs by just means, in accordance with the principle of equal treatment. In order to determine whether the economic inequality we see is just, we must employ a historical, means-based principle and consider all prior economic interactions to evaluate if each one of those transactions was just. A distribution is just if it arises from another just distribution.<sup>32</sup> It is conceivable that even dramatic inequality could develop by purely just means, a reflection of proportionality, desert, and individual preferences and needs. However, by the same historical principle, it follows that if any unjust acquisition or transfer has ever occurred, the inequality that arises must too be unjust. The question of whether just inequality manifests in practice is the focus of the final section of this paper.

We accept that there exist certain endowed inequalities between individuals for which we cannot practically or ethically correct. We also accept intuitive fair notions of proportionality and desert in accordance with our justness principle of equal treatment. From these premises, we conclude that economic inequality as an end cannot be labeled unjust deontologically. If economic inequality comes about by means of just treatment, then it is just. Conversely, it follows that any economic inequality that results by means of unjust treatment must be unjust.

Under his “entitlement theory,” Nozick asserts, “The complete principle of distributive justice would say simply that a distribution is just if everyone is entitled to the holdings they possess under the distribution. A distribution is just if it arises from another just distribution by legitimate means.”<sup>33</sup> Conversely, he concedes that “Not all actual situations are generated in accordance with the two principles of justice in holdings.... Some people steal from others, or defraud them, or enslave them, seizing their product and preventing them from living as they choose, or forcibly exclude others from competing in exchanges.”<sup>34</sup>

In this paper, “unjust means” refer to any violation of the principle of equal treatment, which demands that individuals be treated equally and given their fair due despite endowed differences in abilities, etc. Payment that is not proportionate with desert is an example of unjust treatment, but so are more sinister examples, such as co-

25 Ibid, 115.

26 Nozick, “Moral Constraints and Distributive Justice,” 117.

27 “Wilt Chamberlain Net Worth,” *Celebrity Net Worth*, August 10, 2017, <https://www.celebritynetworth.com/richest-athletes/nba/wilt-chamberlain-net-worth/>.

28 PK, “United States Net Worth Brackets, Percentiles, and Top One Percent,” *DQYDJ*, April 21, 2019, <https://dqydj.com/net-worth-brackets-wealth-brackets-one-percent/>.

29 Julia Kagan, “Law of Supply and Demand,” *Investopedia*, February 12, 2019, <https://www.investopedia.com/terms/l/law-of-supply-demand.asp>.

30 Nozick, “Moral Constraints and Distributive Justice,” 115.

31 Ibid, 117.

32 Ibid, 107.

33 Nozick, “Moral Constraints and Distributive Justice,” 107.

34 Ibid, 108.

ercion, de jure or de facto discrimination, and fraud. History until today is marred with countless injustices. Some of the most obvious and egregious examples include slavery, colonization, segregation, and genocide. All of these are instances of people facing unequal treatment because of differences that we expect to have no bearing on how people ought to be treated as citizens.”<sup>35</sup> Injustices have been carried out on the basis of race, ethnicity, religion, gender, sexual orientation, and more.

We are concerned with these injustices not simply because they are wrong, but because they impact economic inequality; they are unjust. Because our principle of equal treatment is historical, any injustices of the past that have had an impact on the economic distribution of today can render it unjust. Seizure of another’s legitimate property, intimidation into accepting lower pay, or discrimination in the job market are all examples of injustices that have such an impact.

It is important to note that injustice need not be carried out directly on one person by another in order for the economic inequality between them to occur unjust means. For example, a person could experience discrimination when seeking a bank loan on the basis of their race. Let us assume they are qualified given their earnings and credit history, and it is purely because of their race that they are deemed by the bank or teller as unworthy of the loan. Because of this, they are not able to obtain the mortgage for a new house. The new house was intended as an investment in a more expensive neighborhood in a higher-performing school district for the loan-seeker’s children, and a higher rate of appreciation on the property. This is clearly an example of unequal treatment, which is unjust. Upward mobility for the loan-seeker is limited on the basis of their race, which was endowed, and not because they deserve it.

Now suppose another loan-seeker approaches the bank with identical earnings and credit history but with a different race, and the bank grants them the loan. The second loan-seeker is subsequently able to obtain a mortgage, upgrade their home, and provide better educational opportunities to their children, while the first loan-seeker is not. The interest earned on the home allows the second loan-seeker to grow their wealth much faster than the first loan-seeker, for no reason other than their race. The economic inequality between the first and second loan-seeker came about by means of discrimination. Because these means are unjust, the resulting inequality must also be unjust. Even though the second loan-seeker did not directly enact out the injustice experienced by the second loan-seeker, the difference in economic means between them cannot be justified.

Now suppose the second loan-seeker, having sent their children to higher-performing public schools

<sup>35</sup> Schmidtz, “Equal Respect and Equal Shares,” 244.

and earning the interest from their appreciating home value, is able to send their child to an Ivy League school. Perhaps the child had an SAT tutor or their high school offered Advanced Placement classes. Attending the Ivy League institution, the child builds a network that helps them find employment upon graduation, upon which they begin earning their own substantial salary, due in part to the prestige of their alma mater.

Meanwhile, the first loan-seeker’s child remained in a neighborhood with a high school that did not offer SAT tutoring or Advanced Placement classes. The first loan-seeker was not able to invest in the home that grew their wealth at a higher rate. The child of the first loan-seeker does not have any of the advantages that the second loan-seekers had. They are disadvantaged by a lower-performing school district and lower family income in addition to the endowed disadvantage of a discriminated race. The first loan-seeker’s child does not attend an Ivy League institution and cannot utilize its network to attain a high-paying job. The endowed inequality of race results in other inequalities. As a result, the economic inequality between the first and second loan-seekers’ children becomes even greater than it was between their parents. The economic inequality between the children of the loan-seekers is unjust because the distribution of wealth experienced by the children is shaped in part by the loan originally denied to the first loan-seeker on the basis of race. Here we see the importance of employing a historical principle. A snapshot, end-state approach applied to the economic inequality experienced by the children may confuse injustices for endowments. That is, the fact that one was born into a richer household and one was born into a poorer household may be attributed to simple chance. While it is true that these are endowments beyond the control of the children, the loan could have been denied the first loan-seeker after the children were born. Furthermore, even if it was not, we employ a historical principle because economic distributions are themselves historical; all wealth comes from somewhere. What we must determine is if where it comes from is just. If the first loan-seeker had an abysmal credit-score and was denied the loan for this reason, the exact same economic inequalities between the loan-seekers and their children would be just. Because the difference was borne from injustice, the inequality is unjust.

Having developed a comprehensive means-based principle for the justness of economic inequality, I now turn to examine real-world present economic inequality that sparked these questions in the first place. Focusing on the dramatic inequality in the United States, we must determine if injustices have impacted our present distribution by way of the historical principle of equal treatment. The answer can only be yes; throughout the history of the United States, people have faced unequal treatment and injustices that have molded the economic inequality

we see today.

At this country's inception, white men were the only full citizens, and no other person could own land or cast a vote. Chattel slavery even treated Black Americans as the property of white men, and since it was abolished, has been continuously followed by other variations of violently oppressive practices that unjustly target Black Americans, including lynching, Jim Crow laws, segregation, mass incarceration, voter repression, to name just a few. The loan-seeker example from the previous section is a very true reality for minorities in the U.S. Such circumstances are coupled with other discriminative housing practices such as redlining and forcible land seizure by violence, trickery, and unjust but legal methods that strip non-whites (Black Americans in particular) of their property and wealth.<sup>36</sup> These injustices have held minorities and their posterity back economically in a manner not encountered by white Americans. Today, white Americans still own ninety-eight percent of land, worth over one trillion dollars. Although Black Americans account for thirteen percent of the population, they own less than one percent of rural land with a combined value of just fourteen billion dollars.<sup>37</sup> It is no coincidence that the top five landowners in the U.S. are all white men. I could list every intersectional, disadvantaged group, I would never be able to document every historical unjust means by which we have reached the inequality of today. Furthermore, that is not the work of this paper, which is to answer: when is inequality just and when is it not?

Clearly, unequal treatment has contributed to U.S. wealth gap today by unfairly discriminating against some to the benefit of others. However, I am in no way claiming that these unjust interactions are the determinants of present-day economic inequality. As in the example of the two loan-seekers, just and unjust treatment can both occur and create unjust economic inequality. It was not the second loan-seeker's obtainment of a mortgage that was unjust but their economic standing relative to the first loan-seeker who was unfairly denied. By this same logic, not all of the interactions or means by which the U.S.'s economic inequality has come about were unjust. Some were unjust, but it is likely that the vast majority have been perfectly just. The influence of other unjust means does not render just means unjust, but it does render the end to which they both contribute unjust.

Economic inequality is unjust if it comes about in any part by unjust means, and the deep economic inequality in the U.S. was certainly formed by some unjust means. However, it was not reached purely by unjust means; many historical exchanges and interactions by which wealth was distributed were perfectly just means. Still, it

<sup>36</sup> Michelle Singletary, "The Economic Impact of Racism," The Washington Post, August 17, 2017, [https://www.washingtonpost.com/news/get-there/wp/2017/08/17/the-economic-impact-of-racism/?utm\\_term=.b732642a8e46](https://www.washingtonpost.com/news/get-there/wp/2017/08/17/the-economic-impact-of-racism/?utm_term=.b732642a8e46).

<sup>37</sup> Antonio Moore, "Who Owns Almost All America's Land?" Inequality.org, February 15, 2016, , <https://inequality.org/research/owns-land/>.

cannot be said that the economic inequality is just because it was not reached solely by just means. Therefore, we conclude that the present economic inequality in the U.S. is at least partially unjust.

## Just inequality is not sustainable

The justness of inequality is dependent on the means by which it is attained. If economic inequality results from unequal treatment, then it is unjust. If it results from equal treatment, then it is just. Thus, just inequality can exist – at least in theory. But can it manifest and last in practice?

In *Philosophy, Politics, and Economics: An Anthology*, the authors maintain:

"While economists often focus on economic inequality, it is worth noting that economic inequality does not seem objectionable in its own right. It is easy to imagine unequal holding emerging as a result of voluntary exchanges among equals or as the result of social institutions designed for the benefit of all (say by allowing differential income as a reward for those who are socially productive). The morally important – and worrying – aspects of economic inequality show up only when we turn our attention to its sources and its effects, both of which may well be unjust."<sup>38</sup>

In this section, I shift my focus from the sources to the effects, or from economic inequality as an end – to which we get by other means – to economic inequality as a means by which we get to some other end.

The effects of inequality are a particularly hot button issue and inform a popular school of thought that economic inequality is unjust because it leads to unjust ends. Such ends might be the abuse of power by the wealthy or the humanitarian concern of increased poverty levels, when more people have less than they need to survive. This is not the deontological view that inequality is unjust in and of itself, but the consequentialist view that it is unjust due to its effects.

I strongly reject this consequentialist view. In the case of the U.S., I conclude in the previous section that unjust means have led to economic inequality, which is consequently at least partially unjust. However, that same economic inequality was also formed by means of just exchanges and satisfaction of the principle of equal treatment. The unjustness of the end of economic inequality does not render its just means unjust, but simply indicates that unjust means must have also contributed. By this same logic, inequality cannot be labeled unjust solely because it may lead to other unjust ends. However, this does not mean that the effects of inequality not worth considering, for they are actually extremely important in evaluation of the usefulness of our conclusions in previous sections.

The effects of inequality are not all bad. As mentioned previously, economic inequalities that result from free

<sup>38</sup> Anomaly et al., , 350.

individual choice in spending reflect people's values and their preferences. When Wilt Chamberlain amasses extraordinary wealth, this indicates that he possesses a skill or ability that is highly valued by the general public. Inequalities like this that emerge can serve to incentivize not only hard work, but specifically the development of skills and cultivation of abilities that benefit society. In *Equality, Value, and Merit*, Frederich Hayek proposes that, "the acquisition by any member of the community of additional capacities to do things which may be valuable must always be regarded as a gain for that community. It is true that particular people may be worse off because of the superior ability of some new competitor in their field; but any such additional ability in the community is likely to benefit the majority."<sup>39</sup> Inequalities resulting from rewarding merit and recognizing desert in productive fields can incentivize economic progress, driving efficiency and growth. It is differences in skills and abilities that are both endowed and emerge, specializations, and the "boundless variety of human nature" that push individuals to achieve greatness and go beyond what has been done before,<sup>40</sup> so long as these inequities arise by just means.

While Rawls employs an ends-based approach (heavily criticized by Nozick), his well-known "difference principle" is worth mentioning, if only in premise.<sup>41</sup> The principle states, "social and economic inequalities are to be arranged so that they are both (a) reasonably expected to be to everyone's advantage, and (b) attached to positions and offices open to all."<sup>42</sup> While it is largely seen as a redistributive principle, the idea behind Rawls' difference principle is still that it is possible for inequality to be arranged so that it is to everyone's benefit, even the worst off in society.

There are some notable benefits of inequality, but there are also many concerning effects. The concentration of wealth in the hands of a few creates power imbalances in society. However, assuming that inequality has arisen by just means, even the grossest of imbalances in economic power cannot be labeled as unjust. Economic power is not unjust in and of itself as an end, but only if it arises from unjust inequality, which itself must arise by unjust means, such as coercion. However, economic power can easily be abused to achieve unjust ends.

Economic power often translates into political power, particularly in a capitalist representative democracy like the United States. If the wealthy can use their money and influence to sway the rules in their favor, why wouldn't they? Accepting that humans are rationally self-interested beings to a certain extent (though certainly

not always), it is logical that the wealthy would do everything in their power to secure their wealth and make it easier to gain more. "Power corrupts," people say, and empirically it has been shown to be true. A 2004 research paper out of the Harvard Kennedy School concluded that, "The rich are likely to both have greater motivation and opportunities to engage in bribery and fraud as one means to preserve and advance their status, privileges, and interests while the poor are more vulnerable to extortion at higher levels of inequality."<sup>43</sup> The study found strong correlation between income inequality, corruption, and poverty.

In the article "Nobel Laureate Economist Says American Inequality Didn't Just Happen. It Was Created," economist Joseph Stiglitz highlights how present economic inequality in the U.S. has gotten out of control because "Those with power used that power to strengthen their economic and political positions, or at the very least to maintain them. They also attempted to shape thinking, to make acceptable differences in income that would otherwise be odious."<sup>44</sup> While historically the conception of "divine right"<sup>45</sup> has proved a powerful tool to confuse the abuse of economic power with desert, modern euphemisms include the fallacy of a "hard work" meritocracy and the elusive "American Dream."<sup>46</sup>

Tax loopholes, lobbying, trust funds, and Super PACs: there are countless ways by which the super-rich can game the system to protect their interests and augment their assets. These abuses have the additional harm of undermining democracy.<sup>47</sup> The wealthy also secure inheritances and benefits for their children, continuing the resultant inequalities in the next generation. Examples like the recent college admissions scandal are not rare, except for the fact that this time, the perpetrators were caught.<sup>48</sup> These types of shortcuts not available to the vast majority of Americans. As a result, economic inequality only deepens, and "The forces that have been at play in creating these outcomes are self-reinforcing."<sup>49</sup> Such abuses of economic power do not satisfy the principle of equal treatment, and the increase in inequality they create is consequently unjust.

43 Jong-Sung You and Sanjeev Khagram, "Inequality and Corruption," Harvard Kennedy School, January 2004, <http://www.hks.harvard.edu/publications/inequality-and-corruption>.

44 Joseph E. Stiglitz, "Nobel Laureate Economist Says American Inequality Didn't Just Happen. It Was Created.," *Economics*, May 02, 2018, <http://economics.com/nobel-prize-economist-says-american-inequality-didnt-just-happen-it-was-created/#top>.

45 Ibid.

46 Sean Illing, "Why the Myth of a Perfect Meritocracy Is so Pernicious," *Vox*, July 12, 2018, <https://www.vox.com/conversations/2016/11/22/13652860/income-inequality-meritocracy-robert-frank-success-luck-ethics>.

47 Jacob S. Hacker and Nathaniel Lowenthal, "How Big Money Corrupts the Economy," *Democracy Journal*, December 15, 2015, <https://democracyjournal.org/magazine/27/how-big-money-corrupts-the-economy/>.

48 Amanda L. Gordon and Ben Steverman, "Rich Parents Have Plenty of Ways to Game the U.S. Education System," *Bloomberg.com*, March 12, 2019, <https://www.bloomberg.com/news/articles/2019-03-12/college-arms-race-goes-too-far-with-wealthy-gaming-the-system>.

49 Stiglitz, "Nobel Laureate Economist Says."

39 Frederich A. Hayek, "Equality, Value, and Merit," *WoldWW.net*, [http://www.woldww.net/classes/General\\_Philosophy/Hayek-equality.htm](http://www.woldww.net/classes/General_Philosophy/Hayek-equality.htm).

40 Ibid.

41 Rawls, 53.

42 Ibid.

Just inequality can exist in theory. If it arises by just means, economic inequality can even have large-scale benefits. However, just economic inequality still creates imbalances in economic power, giving the rich outsize influence over politics and the economy. Once the rich have economic power, there are strong incentives for them to use it to reshape the rules and exploit the lower economic classes for their own benefit, enabling the accumulation of even more wealth and further escalating inequality levels in a self-reinforcing mechanism. In this way, just inequality will inevitably devolve into unjust inequality due to incentivized abuse of economic power. Therefore, even if just inequality can be attained, it cannot be sustained long-term because the power imbalances created incentivize unequal treatment.

The idea that just inequality cannot be sustained and devolves into worsening unjust inequality is empirically supported by Thomas Piketty's influential work in *Capital in the Twenty-First Century*.<sup>50</sup> Piketty illustrates that the global economy moves in cycles of low and high growth. Currently, we are in a period of low growth in which the rate of return on investment,  $r$ , exceeds the rate of overall economic growth,  $g$ . As a result, wealth concentrates in the hands of investors, and trends in the data indicate that this will not only continue but accelerate. Piketty notes, "When the rate of return on capital significantly exceeds the growth rate of the economy (as it did through much of history until the nineteenth century and as is likely to be the case again in the twenty-first century), then it logically follows that inherited wealth grows faster than output and income."<sup>51</sup> Because of this trend, the richest individuals from the richest families will see their wealth grow much faster than others, deepening the divide between the superrich and the rest and contradicting common claims that a rising tide will raise all boats. Earlier in this section, I discussed the incentivization of growth as a potential benefit of inequality. But when growth is slowing, as Piketty's data demonstrates, we are left with huge economic inequalities to no benefit.<sup>52</sup>

The phenomenon of inequality – just or unjust – inevitably fostering further, unjust inequality emphasizes the need for constant rectification of unjust economic distributions. Contrary to Nozick's argument that redistribution is futile because "liberty upsets patterns,"<sup>53</sup> the reality of worsening inequality in Piketty's data demonstrates the danger of correcting for unequal treatment. Although unjust acquisition and transfer will un-

doubtedly occur again in the future, letting past injustices go unaddressed will have disastrous consequences, eroding the integrity of our political and economic institutions.

## Conclusion

President Obama once called inequality "the defining issue of our time," and I am inclined to agree with him.<sup>54</sup> The U.S. leads developed nations in inequality, and based on a historical principle of equal treatment, this inequality cannot be considered just. Inequality is skyrocketing and shows no signs of slowing, the statistics growing more alarming by the year.<sup>55</sup> Historical injustices have contributed to this inequality, and the outsize influence and corruption of the wealthy have exacerbated it. If we hope to curb growing inequality, it is necessary to mitigate the influence of the wealthy in politics and the economy. So long as the wealthy are able to wield their economic power over the rest of the population, inequality and injustices will continue to develop. While we may never be able to practically rectify for past injustices, it should be the duty of the government to at least work to minimize unequal treatment in the present and future.

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50 Thomas Piketty, , trans. Arthur Goldhammer (Cambridge Massachusetts: Belknap Press of Harvard University Press, 2017).

51 Piketty, *Capital in the Twenty-First Century*.

52 Ibid.

53 Nozick, "Moral Constraints and Distributive Justice," 117.

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54 Greg Sargent, "Inequality Is 'the Defining Issue of Our Time'," *The Washington Post*, December 04, 2013, [https://www.washingtonpost.com/blogs/plum-line/wp/2013/12/04/inequality-is-the-defining-issue-of-our-time/?utm\\_term=.f2226cb13570](https://www.washingtonpost.com/blogs/plum-line/wp/2013/12/04/inequality-is-the-defining-issue-of-our-time/?utm_term=.f2226cb13570).

55 Levitz, "Inequality Is Rising Across."

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